

# Trade Regulation Reporter - Trade Cases (1932 - 1992), United States v. Austenal Laboratories, Inc., U.S. District Court, S.D. New York, 1950-1951 Trade Cases ¶62,880, (Jun. 29, 1951)

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United States v. Austenal Laboratories, Inc.

1950-1951 Trade Cases ¶62,880. U.S. District Court, S.D. New York. No. 50-496, Dated June 29, 1951.

## Sherman Antitrust Act

## Clayton Antitrust Act

**Consent Decree—Dental Alloy—Manufacture of Dentures—Patents and Trade-Marks.**—A consent decree requires a patentee of a dental alloy, which is used in the manufacture of dentures, to terminate patent and trade-mark licenses; dedicate to the public all rights in certain patents; grant a non-exclusive license to persons, making a request therefor on a reasonable royalty charge; and furnish to the public a statement setting forth technical information in connection with the manufacture of dental alloy in use by the defendant.

**Consent Decree—Dental Alloy—Manufacture of Dentures—Exclusive Supply Contracts—Conditional Licenses.**—A consent decree enjoins a producer and patentee of a dental alloy, which is used in the manufacture of dentures, from entering into any sale where the condition of such a sale is that the purchaser will not use the product of any other person; entering into any sale where the condition of such sale is that the purchaser will not use the products in connection with the dental supplies or alloy made by any person other than the defendant; conditioning the grant of any license under a patent upon the purchase of products from the defendant; entering into any sale or granting any license under a patent or trade-mark on the condition that the purchaser or licensee shall advertise or financially contribute to the cost to the defendant of advertising a trade-mark owned by the defendant; coercing any manufacturer of dental alloy to refrain from manufacturing or selling dental alloy to any other person; and systematically issuing price lists to persons for the sale of dentures by such other persons. The decree further prohibits the defendant from conditioning sales on the condition that the purchaser shall purchase his entire requirements from the defendant and from entering into contracts, fixing prices, restricting territories for sale, and limiting exports or imports of certain products.

For the plaintiff: H. G. Morison, Assistant Attorney General; Sigmund Timberg and Marcus A. Hollabaugh, Special Assistants to the Attorney General; Melville C. Williams, Chief, New York office, Antitrust Division; Joseph B. Marker and Harry N. Burgess, Trial Attorneys.

For the defendant: Ernest S. Meyers of Isseks, LaPorte and Meyers; George E. Moesel.

## Final Judgment

GODDARD, J.: [ *In full text*] Plaintiff, United States of America, having filed its complaint herein on June 10, 1949; the defendant having appeared and filed its answer to such complaint denying the substantive allegations thereof; and the parties, by their attorneys, having consented to the entry of this final judgment without trial or adjudication of any issue of fact or law herein and without admission by any party in respect of any such issue;

Now, therefore, before any testimony has been taken herein, and without trial or adjudication of any issue of fact or law herein, and upon consent of all parties hereto, it is hereby,

Ordered, adjudged, and decreed, as follows:

I

[ *Sherman and Clayton Acts*]

The Court has jurisdiction of the subject matter of this action and of the parties hereto, and the complaint states a cause of action against the defendant under Sections 1 and 2 of the Act of Congress of July 1890, entitled

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“An Act to Protect Trade and Commerce Against Unlawful Restraints and Monopolies,” commonly known as the Sherman Act, and under Section 3 of the Act of Congress of October 15, 1914, entitled “An Act to Supplement Existing Laws Against Unlawful Restraints and Monopolies and For Other Purposes,” as amended, commonly known as the Clayton Act.

II

[ *Definitions* ]

For the purposes of this judgment the following terms have the meanings assigned respectively to them below:

- (A) “Defendant” means the defendant Austenal Laboratories, Inc.
- (B) “Person” means an individual, partnership, firm, association, corporation, or other legal entity.
- (C) “Dental alloy” means any non-precious metal alloy of which chromium and cobalt are the principal elements, used primarily in the manufacture of dentures.
- (D) “Dentures” means an artificial denture containing dental alloy, but does not include artificial teeth.
- (E) “Dental laboratory” means any person engaged in manufacturing and selling dentures.
- (F) “Dental supplies” means any equipment or material used or useful in the manufacture of dentures.
- (G) “Patents” means United States Letters Patent, and patent applications, relating to dental alloy or dentures, including all renewals, extensions, divisions, and re-issues of such patents or patent applications.
- (H) “Trademark” means a registered United States trademark relating to dental alloy or dentures.

III

[ *Applicability of Provisions* ]

The provisions of this judgment shall apply to the defendant, its officers, directors, agents, employees, subsidiaries, successors, assigns, and all other persons acting under, through or for such defendant.

IV

[ *Patent and Trade-Mark Licenses Terminated* ]

- (A) The defendant is ordered and directed to terminate, within ninety (90) days after the date of the entry of this judgment, each patent and trademark license or other agreement and each amendment, modification, supplement or renewal of the same existing on the date of the entry of this judgment between the defendant and any other person in the United States purporting to grant to such other person any right under any patent or trademark.
- (B) The defendant is enjoined and restrained from maintaining, renewing, adhering to, or performing, any of the patent, trademark licenses or other agreements or dared to be terminated by subsection (A) of this section.
- (C) The defendant is ordered and directed to give notice, within thirty (30) days after the date of the entry of this judgment, to each person referred to in subsection (A) of this judgment, of the entry thereof, together with a true copy of this judgment.

V

[ *Dedication of Patents* ]

- (A) The defendant is ordered and directed, within ninety (90) days after the date of the entry of this judgment, to dedicate to the public any and all right, title and interest which it may have on the date of the entry of this judgment, in and to each of the patents and the patent application listed in Appendix A [not reproduced] to this final judgment, such dedication to be effective as of the date of entry of this judgment.
- (B) The defendant is hereby enjoined and restrained from instituting or threatening to institute, or maintaining any suit, counterclaim or proceeding, judicial or administrative, for infringement, or to realize or collect damages or other

compensation for infringement under or on account of any patent or patent application to which subsection (A) of this Section V applies, where the cause of action arose prior to the date of entry of this judgment.

## VI

### [ *Granting of Non-Exclusive Licenses* ]

(A) The defendant is hereby (1) ordered and directed to grant to each person making written request therefore a nonexclusive license under United States Letters Patent No. 2461416, to make, use and sell preformed dental patterns for use in the manufacture of dentures, and (2) enjoined and restrained from making any disposition of said patent which deprives it of the power or authority to grant said licenses, unless it sells, transfers or assigns said patent and requires, as a condition of such sale, transfer or assignment, that the purchaser, transferee or assignee thereof shall observe the provisions of this Section VI with respect to the patent so acquired.

(B) The defendant is hereby enjoined and restrained from including any restriction or condition whatsoever in any license granted by or pursuant to the provisions of this Section VI except that (1) the license may be nontransferable; (2) a reasonable, nondiscriminatory royalty may be charged; (3) reasonable provision may be made for periodic inspection of the books and records of the licensee by an independent auditor who shall report to the licensor only the amount of the royalty due and payable; (4) reasonable provision may be made for cancellation of the license upon failure of the licensee to pay the royalties or to permit the inspection of his books and records as hereinabove provided; and (5) the license must provide that the licensee may cancel the license at any time by giving thirty (30) days' notice in writing to the licensor.

(C) Upon receipt of a written request for a license under the provisions of this Section VI, the defendant shall advise the applicant in writing of the royalty which it deems reasonable for the patent. If the parties are unable to agree upon a reasonable royalty within sixty (60) days from the date such request for a license is received by the defendant, the applicant therefor may forth with apply to this Court for the determination of a reasonable royalty and the defendant shall, upon receipt of notice of the filing of such application, promptly give notice thereof to the Attorney General. In any such proceeding, the burden of proof shall be upon the defendant to establish the reasonableness of the royalty requested by it, and the reasonable royalty rate, if any, determined by the Court shall apply to the applicant and to all other licensees under the same patent. Pending the completion of negotiations or any such proceedings, the applicant shall have the right to make, use and sell preformed dental patterns for use in the manufacture of dentures under the said patent, without payment of royalty but subject to the provisions of subsection (D) of this Section VI.

(D) Where the applicant has the right to make, use and sell under subsection (C) of this Section VI, said applicant or the defendant may apply to the Court to fix an interim royalty rate pending final determination of what constitutes a reasonable royalty. If the Court fixes such interim royalty rate, the defendant shall then issue, and the applicant shall accept, a license providing for the periodic payment of royalties at such interim rate from the date of the filing of such application. If the applicant fails to accept such license or fails to pay the interim royalty in accordance therewith, such action shall be ground for the dismissal of his application. Where an interim license has been issued pursuant this subsection (D), the reasonable royalty rate as finally determined by the Court shall be retroactive for the applicant and all other licensees under the said patent to the date the applicant filed his application with the Court.

(E) This judgment shall not be construed as importing or impairing the validity or value, if any, of the said patent, and nothing herein shall prevent any applicant from attacking, in the aforesaid proceedings, in any other controversy, the validity or scope of said patent.

## VII

### [ *Technical Information to Public* ]

(A) Within ninety (90) days after the entry of this judgment the defendant shall furnish to the United States Department of Commerce a statement setting forth the identical formula, specifications, physical characteristics, machine, and standards used by the defendant in connection with the manufacture, testing, and acceptance

of dental alloy in use by the defendant on the date of the entry of this judgment, and hereby authorizes and empowers said United States Department of Commerce to republish and distribute said statement to the public.

(B) The defendant is ordered and directed to file with this Court, within one hundred eighty (180) days after the date of the entry of this judgment, and to serve upon the Attorney General or Assistant Attorney General in charge of the Antitrust Division, a report showing the fact and manner of its compliance with subsection (A) of this Section VII, subsections (A) and (C) of Section IV, and subsection (G) (a) of Section VIII of this judgment.

## VIII

### [ Restrictive Contracts and Price Lists Prohibited]

The defendant is hereby enjoined and restrained from, directly or indirectly:

(A) Selling, leasing, or making or adhering to any contract for the sale or lease of dental alloy or dental supplies, whether patented or unpatented, on or accompanied by any condition, agreement or understanding that the purchaser or lessee shall not purchase, lease or use dental supplies or dental alloy made or sold by, or purchased from, any person other than the defendant.

(B) Selling, leasing, or making or adhering to any contract for the sale or lease of, or otherwise furnishing, dental alloy or dental supplies, whether patented or unpatented, on or accompanied by any condition, agreement or understanding that the purchaser, lessee or recipient thereof shall not use said dental alloy or dental supplies in connection with dental supplies or dental alloy made or sold by, or purchased or leased from, any person other than the defendant.

(C) Selling, leasing, or making or adhering to any contract for the sale or lease of, or otherwise furnishing, dental supplies, whether patented or unpatented, on or accompanied by any condition, agreement or understanding that the purchaser, lessee or recipient thereof, shall purchase or otherwise procure dental alloy from the defendant; or selling, leasing, or making or adhering to any contract for the sale or lease of, or otherwise furnishing, dental alloy, whether patented or unpatented, on or accompanied by any condition, agreement or understanding that the purchaser, lessee or recipient thereof shall purchase or otherwise procure dental supplies from the defendant.

(D) Conditioning the grant of any license or immunity, expressed or implied, under a patent upon the purchase, procurement or lease of dental alloy or dental supplies, from the defendant.

(E) Selling, leasing, or making or adhering to any contract for the sale or lease of, or otherwise furnishing dental alloy or dental supplies, or granting a license under a patent or trademark, on or accompanied by any condition, agreement or understanding that the purchaser, lessee, licensee, or recipient thereof shall advertise, share in or financially contribute to the cost to the defendant of advertising or promoting, a trademark owned or controlled by the defendant. Provided, however, that the bona fide purchase from the defendant or use of a box or container imprinted with a trademark owned or controlled by the defendant by any person licensed under such trademark shall not be construed to be within the prohibitions of this subsection (E).

(F) Coercing, restricting, or prohibiting, or attempting to coerce, restrict or prohibit any person from purchasing dental alloy or dental supplies from any person other than the defendant.

(G) Coercing or urging, or attempting to coerce or urge, any manufacturer or seller of dental alloy, to refrain from manufacturing for, or selling to, any other person, dental alloy.

(a) Within thirty (30) days after the date of the entry of this judgment, the defendant shall notify each person with whom the defendant, on the date of the entry of this judgment, has a contract or other agreement for the manufacture and sale to the defendant of dental alloy, that such other person is relieved of any obligation which may exist between the defendant and such other person to refrain from manufacturing dental alloy for any person requesting the same, in accordance with the statement referred to in subsection (A) of Section VII of this judgment.

(H) Systematically issuing price lists to any other person for the sale of dentures by such other person.

## IX

The defendant is enjoined and restrained from entering into, adhering to, maintaining or furthering, or claiming any right under, any contract, agreement, patent or trademark license or other understanding with any other person which:

- (A) Conditions the sale or lease of dental alloy or dental supplies to such other person upon the requirement or understanding that the recipient thereof shall purchase from the defendant its entire requirements of dental alloy or dental supplies;
- (B) Restricts, limits or prevents such other person from reselling dental alloy purchased from the defendant to third persons;
- (C) Restricts, limits or prevents such other person in the use of dental alloy or supplies purchased or leased from the defendant;
- (D) Restricts, limits or prevents the import into, or export from, the United States of dental alloy or dental supplies;
- (E) Fixes, designates, limits or restricts, in any manner:
  - (1) the prices or other terms and conditions upon which any denture, or dental alloy, may be sold to, or by, third persons or
  - (2) the territory, or geographical area, in which dentures may be sold.

## X

[ *Foreign Arrangements not Affected*]

Without adjudicating, determining or affecting the legality or illegality of any license by the defendant to a dental laboratory located and doing business outside of the United States, of patent or trademark rights under foreign patents or trademarks owned or controlled by the defendant, the provisions of this judgment shall not apply to such license.

## XI

[ *Inspection and Compliance*]

For the purpose of securing compliance with this judgment, and for no other purpose, and subject to any legally recognized privilege, duly authorized representatives of the Department of Justice shall, on the written request of the Attorney General, or the Assistant Attorney General in charge of the Antitrust Division, and on reasonable notice to the defendant, made to its principal office at New York, N. Y., be permitted:

- (A) Access, during the regular office hours of the defendant, to all books, ledgers, accounts, correspondence, memoranda, and other records and documents in the possession or under the control of such defendant relating to any of the matters contained in this judgment.
- (B) Subject to the reasonable convenience of the defendant, and without restraint or interference from it, to interview officers or employees of the defendant, who may have counsel present, regarding any such matters.
- (C) Upon the written request of the Attorney General or Assistant Attorney General in charge of the Antitrust Division, the defendant shall submit such reports concerning any of the matters contained in this judgment as may from time to time be reasonably necessary for the purpose of the enforcement of this judgment, provided, however, that information obtained by the means permitted in this Section XI shall not be divulged by any representative of the Department of Justice to any person other than a duly authorized representative of such Department, except in the course of legal proceedings to which the United States is a party for the purpose of securing compliance with this judgment or as otherwise required by law.

## XII

[ *Jurisdiction Retained*]

Jurisdiction of this cause is retained for the purpose of enabling any of the parties to this judgment to apply to the Court at any time for such orders and directions as may be necessary or appropriate for the construction or carrying out of this judgment, for the modification or termination of any of the provisions thereof, or the enforcement of compliance therewith and for the punishment of violations thereof.